

## Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 SS-15 SSO-00 TRSE-00 EB-08 NSCE-00  
SP-02 OMB-01 INRE-00 CIAE-00 INR-10 NSAE-00 L-03  
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O R 081415Z AUG 78  
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TO SECSTATE WASHDC IMMEDIATE 2900  
INFO AMCONSUL ADANA  
AMCONSUL ISTANBUL  
AMCONSUL IZMIR  
AMEMBASSY PARIS

C O N F I D E N T I A L ANKARA 5714

PASS TREASURY; STATE FOR UNDERSECRETARY COOPER

USOECDD

E.O. 11652 GDS  
TAGS: EFIN, IMF, TU  
SUBJ: VISIT OF MFA SEC GEN ELEKDAG: IMF ASPECTS

REF: (A) STATE 197988 (NOTAL), (B) ANKARA 5114

1. AYSEL OYMEN, DIRECTOR GENERAL OF THE TREASURY FOR FOREIGN FINANCING, TOLD EMBOFFS THAT MFA SEC GEN ELKDAG PLANNED TO ASK THE U.S. GOVERNMENT TO INTERVENE ON TURKEY'S BEHALF WITH THE IMF. OYMEN EXPLAINED THAT GOT AND IMF WERE AT IMPASS OVER THE ISSUE OF DEVALUATION OF TURKISH LIRA. SHE REPORTS THAT THE IMF HAS MADE A 52 PERCENT DEPRECIATION OF THE LIRA (FROM \$1.00 - TL 25 TO \$1.00 - TL 38), A PRECONDITION FOR ALLOWING TURKEY TO DRAW THE SECOND TRANCHE (AVAILABLE AFTER AUGUST 25) UNDER ITS STANDBY AGREEMENT. TURKEY INSISTS THAT IT IS TOO EARLY TO DETERMINE WHETHER A FURTHER  
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DEPRECIATION OF THE LIRA IS NEEDED BECAUSE MANY MEASURES OF THE STABILIZATION PROGRAM, INCLUDING THE MARCH 1 DEVALUATION, HAVE NOT YET FULLY WORKED THROUGH THE ECONOMY. TURKEY PROPOSES THAT THEY WILL BE ABLE TO BETTER JUDGE THE NEED FOR A DEVALUATION AROUND THE TIME OF THE IMF/WORLD BANK ANNUAL MEETING IN SEPTEMBER. ELKDAG HOPES TO PERSUADE THE USG TO USE ITS INFLUENCE WITH IMF DEPUTY

MANAGING DIRECTOR WILLIAM DALE TO BREAK THE IMPASS.

2. OYMEN CHARACTERIZED THE RECENT IMF MISSION AS EXCESSIVELY DOGMATIC AND NARROW-MINDED ON THE DEVALUATION ISSUE. SHE SAID THAT IMF TURKISH DESK OFFICER, CHARLES WOODWARD, HAD BEEN ACCUSED BY A NUMBER OF EXECUTIVE DIRECTORS OF GIVING SPECIAL PREFERENCE TO TURKEY IN THE STANDBY NEGOTIATIONS REGARDING PERFORMANCE CRITERIA. STUNG BY THIS CRITICISM, WOODWARD WAS VERY TOUGH WITH TURKEY AND IMF MANAGING DIRECTOR LAROSIERE WAS RIGID. OYMEN COMMENTED THAT FORMER MANAGING DIRECTOR WITTEVEEN WAS A MAN OF MORE FEELING FOR DEVELOPING COUNTRIES AND NOT AS HARD-LINE AS "THIS FRENCHMAN."

3. OYMEN SAID THAT TURKEY HAS MET THE FIRST QUARTER STANDBY PERFORMANCE TARGETS ON NET DOMESTIC ASSETS AND CENTRAL BANK PUBLIC SECTOR CREDIT ALTHOUGH SHE ADMITTED THAT TURKEY HAD SLIGHTLY EXCEEDED THESE CEILINGS DURING THE IMF MISSION VISIT. SHE SAID THAT THE IMF WAS UNWILLING TO GIVE CONSIDERATION TO THE IMPROVEMENT, DESCRIBING THE FUND AS "LIKE A WALL, ONLY INTERESTED IN DEVALUATION".

4. SHE CONFIRMED THAT THE IMF ALSO WANTS TURKEY TO RAISE THE PRICE OF PETROLEUM. GOT PLANS TO DO THIS, BUT WISHES TO WAIT UNTIL "AFTER THE HARVEST" TO AVOID  
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INCREASING COSTS TO FARMERS.

5. MRS. OYMEN ADDED THAT THE CRUCIAL HANDICAP TO THE SUCCESS OF THE STABILIZATION PROGRAM WAS THE FAILURE OF COMMERCIAL BANKS TO PROVIDE NEW MONEY DURING JUNE TO MAINTAIN IMPORTS AND DOMESTIC PRODUCTION. FRESH CREDIT AND NOT DEVALUATION IS THE ANSWER TO TURKEY'S SHORT-TERM PROBLEM.

6. THE ABOVE COMMENTS WERE PART OF A WIDE-RANGING DISCUSSION OF TURKEY'S FINANCIAL SITUATION WITH EMBOFFS ON AUGUST 8. ADDITIONAL POINTS IN THE DISCUSSION WILL BE REPORTED BY SEPTTEL. DILLON

NOTE BY OC/T: REFTTEL A NOT IDENTIFIED

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NNN

## Message Attributes

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